

Component Unit Financial Statements and
Report of Independent Auditors'

Airport Authority for Airport District #1
of Calcasieu Parish
Lake Charles, Louisiana

December 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Airport Authority for Airport District #1
of Calcasieu Parish
Lake Charles, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the Airport Authority for Airport District #1 of Calcasieu Parish, a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Airport Authority for Airport District #1 of Calcasieu Parish's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport Authority District #1 of Calcasieu Parish as of December 31, 2014, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport Authority District #1 of Calcasieu Parish's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying schedule of expenditures of facility charges is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is also not a required part of the basic financial statements. The Schedule of Compensation, Benefits and Other Payments is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards, schedule of expenditures of passenger facility charges and the schedule of compensation, benefits and other payments are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards, the schedule of expenditures of passenger facility charges, and the schedule of compensation, benefits and other payments are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 18, 2015, on my consideration of the Airport Authority District #1 of Calcasieu Parish's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport Authority District #1 of Calcasieu Parish's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements of Airport Authority for Airport District #1 of Calcasieu Parish as of December 31, 2013, were audited by other auditors whose report dated June 2, 2014, expressed an unmodified opinion on those statements. In my opinion, the comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited statements from which it has been derived.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
June 18, 2015

**AIRPORT AUTHORITY FOR AIRPORT DISTRICT #1 OF
CALCASIEU PARISH - LAKE CHARLES, LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using This Annual Report

The basic financial statements focus on the Airport as a whole. These basic statements are designed to emulate corporate presentation models whereby all Airport activities are consolidated into one business-type fund. The focus of the Statements of Net Position is designed to be similar to bottom line results for the Airport. This statement combines current financial resources with capital assets. The Statements of Revenues, Expenses, and Changes in Net Position focus on results of operations and non-operating revenues that support operations of the Airport.

Overview of the year 2014

As I present this report, I am pleased about the current position of the Airport and optimistic about the future. By virtually every measure, the Airport is growing and passenger numbers are increasing, the number of tenants has increased and revenue is increasing. We began 2014 by continuing to build on momentum that we experienced in 2013. 2014 represented a record year for the Airport in terms of revenue just as 2013 did the year before. The increases in revenue are the result of a number of things including rent escalations, increases in assessed values in the Parish which positively affects our ad valorem (which we successfully renewed in 2014) and increases in non-aeronautical revenue. This has enabled the Airport to replenish and build our reserve balance while enhancing our operations.

This is extremely important as we work to satisfy the needs of our Region in terms of air transportation. Southwest Louisiana leads the nation in announced industrial development projects. The last estimates that I've heard indicate nearly \$90 billion in projects for Southwest Louisiana. There is likely a significant portion of the Nations' population that have never heard of Lake Charles all the while investment in the Lake area is expected to surpass that of other cities that most people have heard of such as Atlanta and Dallas. Needless to say, the next five or six years will be very interesting for our Region. It remains to be seen how this development will effect air transportation. I think it is a given that the Airport will see increased traffic both on the commercial and corporate GA sides, but just how much?

Generally speaking, industrial development does not generate as much business travel as a headquarters facility or some other types of development such as one that has a large mobile sales force for example. That being said, one would expect an increase in travel to and from the project site by managers, executive, salespeople and others – certainly during the construction phases. In terms of opportunity, increased economic activity with increased population bodes well for our Region and our Airport. While questions remain as to what the ultimate impact on the Airport will be, we must be prepared. It's an exciting time to live and work in Southwest Louisiana and we will be prepared.

With the recent completion of the Airport's Master Plan Update we have a very good understanding of our Airport's capacity and capabilities. The Master Plan serves as a virtual road map for the maintenance of our critical infrastructure as we add safety and capacity enhancements that will allow the Airport to meet the needs of our stakeholders for the next 20 years. By using this forward looking document; we are able to foresee our needs and strategically position the Airport to compete for, receive, and efficiently use limited capital improvement funds. We have been fortunate to realize over \$10 million dollars in improvements over the last three years at our Airport, all of which was the result of sound planning that began several years prior to actual construction.

We focus on pursuing projects that enhance safety and that are cost effective, projects that offer some level of return on investment while increasing the efficiency in which we are able to offer our services to our stakeholders.

On the operational side, we are striving to operate the Airport as efficiently as possible. While the cost to provide our services continues to rise, we focus on management principles that allow us to provide those services without fail, while operating within the funds that we have available. All of our managers understand the need to be frugal and all go to great lengths to find the best prices and/or seek out cheaper alternatives regardless of what we're purchasing. We started this several years ago out of necessity and it is now our culture.

Discipline on the expense side has allowed us to focus on developing the revenue side of our budget. In terms of potential for revenue generation, our land is our greatest asset. Consider for a moment that we have more acres than New Orleans Armstrong International; we're among the larger Airports in the state in terms of land mass. While aviation is our core business and is always front and center, by focusing also on developing our land for non-aeronautical revenue, we are able to support our core business and offer greater value to our aeronautical stakeholders. Airports can no longer count on airline fees, hangar rental or fuel flowage fees to balance the budget. Airlines demand low operational cost and private pilots have been priced out of the market by ever rising fuel and other costs. Any additional increases in rates and fees that an Airport places on aeronautical users only exacerbates the problem resulting in fewer aeronautical users, which leads to lower aeronautical revenue, which leads to an airport needing to raise fees again. It's a viscous cycle that we want to avoid. Landing fees, fuel flowage fees and other aeronautical fees have not been increased in decades at LCH.

We enjoy a healthy diversification of tenants at LCH. In fact we are projecting that 69% of the Airport's revenue will come from non-aeronautical sources in 2015. We hope to leverage this non-aeronautical revenue to grow aviation at LCH. In 2014 we executed leases for a pipe storage facility, a gas station, pipeline right-of-way and cell phone tower space. None of these have anything to do with aviation, but they have everything to do with aviation. The revenue generated by leases such as these allow us to enhance our facility and services which means greater benefits for aviation users and the region as a whole.

Like 2013, 2014 represented a year in which we saw several years of planning combined with a little bit of struggle payoff. We placed significant revenues in excess of expenses into our reserves and ended the year with close to \$1 million in our maintenance account for the first time in a long time. As I previously mentioned, things are not getting any cheaper and as we saw this past year with our Airport Control Tower, unexpected challenges are always lurking just around the bend. Nonetheless, these results affirm that our plans and actions are working. I can assure you, however, that we will not rest on our laurels. We will continue to review and adjust in an effort to continually improve and squeeze more efficiency out of our operations.

Despite facing the impacts of a consolidated Airline industry that is capacity disciplined, we finished the year with an increase in passengers of 7%. Load factors are currently as high as we've seen for both Airlines. While the high load factor is good, I would like to see that translate into additional capacity. So far that has not transpired. We plan to make a push in 2015 with our current airlines to get them to add frequency as well as explore a couple of other avenues. Air service development (if there is such a thing anymore) has become more of a challenge and less of a challenge. More of a challenge because of reduced opportunity. Less of a challenge because of reduced opportunity- that clears it up. Where in 2005 there was 9 or 10 large airlines all jockeying for market share at any cost (and losing money), today there are 4: United, American, Delta, Southwest. Those 4 airlines account for 87% of domestic capacity in the US. In Europe, it takes 39 airlines to equal 87%. This means that the big 4 have significant control of the airline industry in the US – especially capacity. Opportunities are limited if they exist at all. The majority of domestic growth expected in 2015 will be the up gauge of aircraft i.e. larger aircraft on existing routes. Nonetheless, we plan to push forward in the hope that if an opportunity does come we will at least be in the conversation.

Looking ahead, 2015 will be an exciting year with several significant changes. We plan to hire two-full time public safety officers. This too represents an evolution in our operations. In years past, we have crossed trained all of our employees in Aircraft Rescue and Firefighting and have relied on them for our firefighting needs. In terms of efficiency and cost effectiveness this worked well, but has become quite the challenge in other regards. Having guys jump from maintenance to firefighting has proven difficult in many ways. Our maintenance side suffers because employees are bouncing around. Ever increasing regulations and operational requirements on the ARFF side have presented their own challenges and while our employees are very capable, I think we can do a better job of providing them an opportunity for greater success. We will continue to cross train all of our employees because frankly, you can never have enough manpower in an untimely event, but the public safety positions will be safety oriented professionals who will provide fire services and numerous safety inspections facility wide in addition to maintaining our advanced aircraft rescue equipment. In the last five years, we have invested heavily into our fire department and this move furthers our commitment to safety. We receive reminders of the need to always be vigilant and everything that we do here starts with safety.

Yet another exciting and significant change will be to the Airport's overall image. We expect to unveil a new logo soon that will set the stage for what we strive to be. It will be modern and forward looking, but yet state exactly who we are – LCH. The logo is the beginning of an effort to bring us into the digital age. Marketing has changed and we need to change with it. Due to financial constraints, marketing has often taken a back seat to more acute needs. There is no doubt that this is a disadvantage to the Airport and while money is always a challenge, we are at a point where we can and should put forth a better marketing effort. We want to speak not only to passengers, but all stakeholders. Even if a resident of this Region never steps foot on an airplane, they are a stakeholder and we want them to realize the impact that this Airport has on SWLA – over 1600 jobs, \$52 Million in Payroll, \$224M in economic output. This effort will take time to develop, but it will be well worth it.

I will close as I started by reiterating that I am very excited and optimistic about what our future holds.

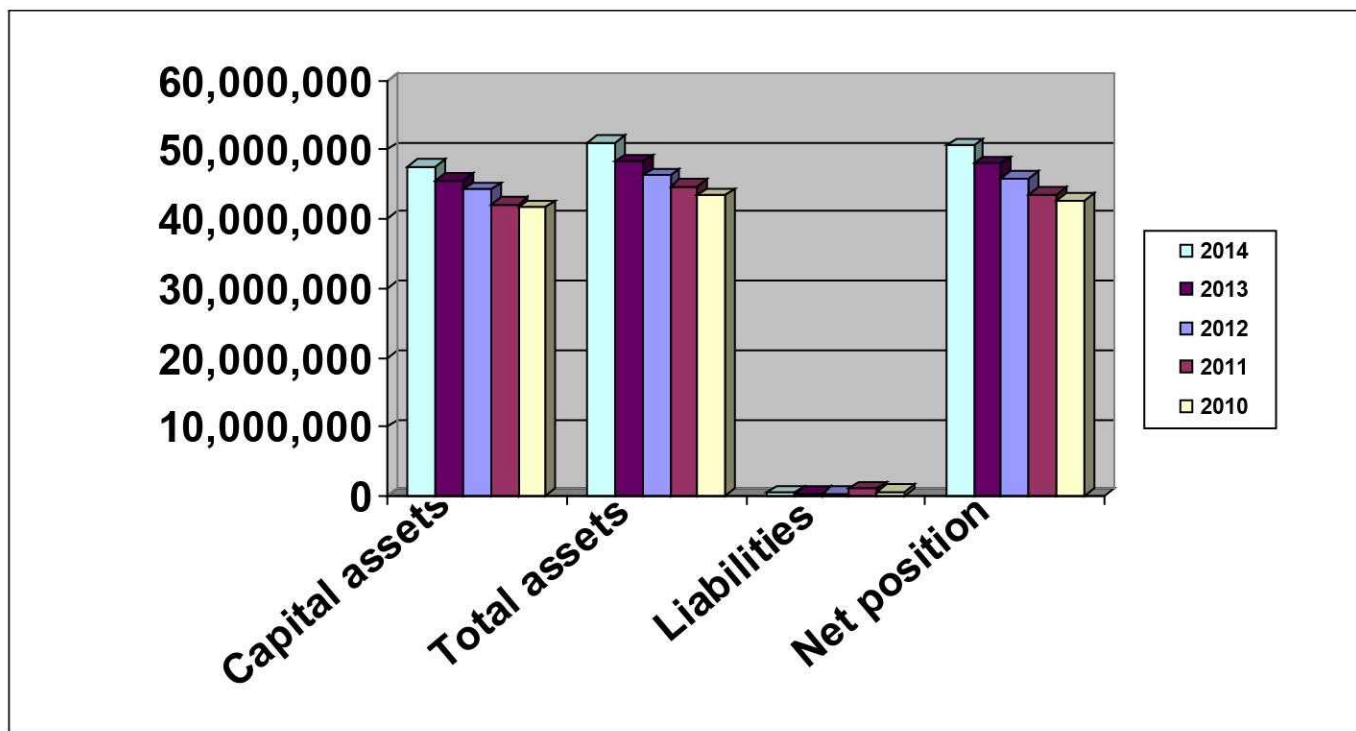
Financial Highlights

As of December 31, 2014, the Airport's net position has increased to \$50.5 million from \$47.9 million at December 31, 2013. This increase is due mostly to the completion of improvements to the airport. This year's significant capital additions were:

- Airfield Pavement Rehabilitation \$ 1,973,841
- South Access Road \$ 448,758
- Fencing \$ 451,239

Restricted net position amounts represent those assets that are available for specific purposes as a result of an agreement. Conversely, unrestricted net position amounts are those that do not have any limitations for which these amounts may be used.

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net Position:				
Net investment in capital assets	\$47,006,226	\$45,341,006	\$44,006,568	\$41,222,085
Restricted– Marketing/Capital Eq.	198,668	230,347	90,000	-
Restricted- PFC projects	304,138	343,794	235,095	681,039
Restricted- CFC projects	950,600	756,412	548,220	384,382
Unrestricted	<u>2,008,321</u>	<u>1,274,501</u>	<u>933,333</u>	<u>1,275,905</u>
	<u>\$50,467,953</u>	<u>\$47,946,060</u>	<u>\$45,813,216</u>	<u>\$43,563,411</u>

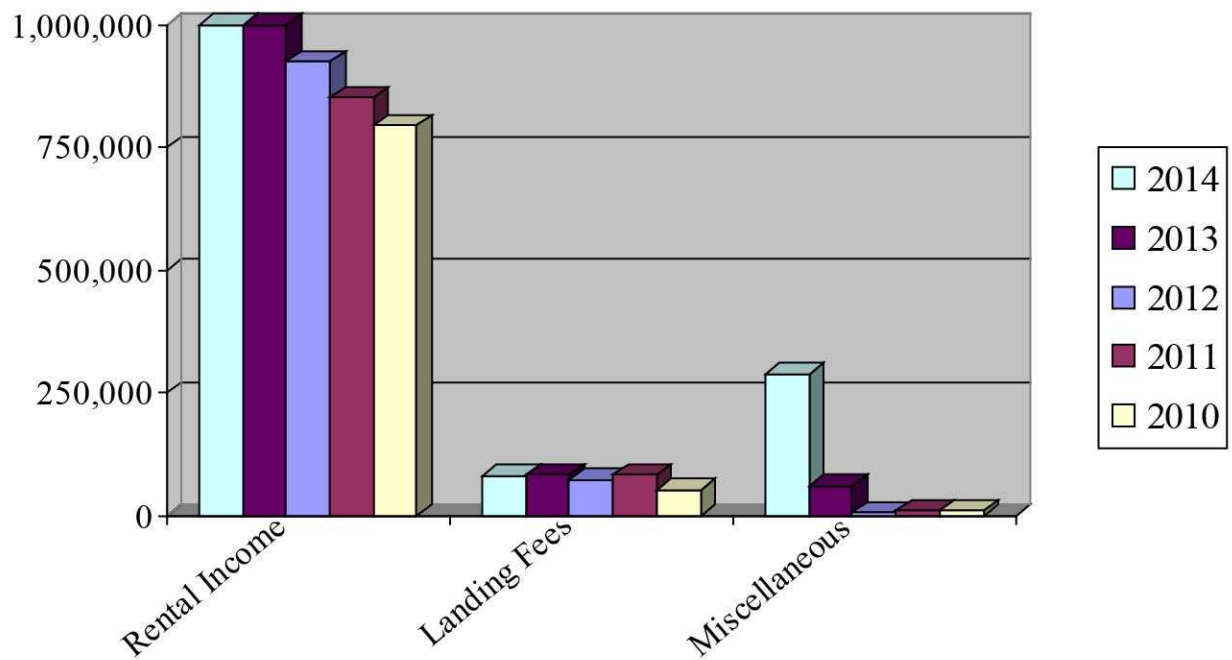


During 2014, rental revenues increased by 18% due primarily to an increase in rent from the air traffic control tower along with escalations on existing leases. Miscellaneous income increased over \$200,000 from last year due to a pipeline right of way payment.

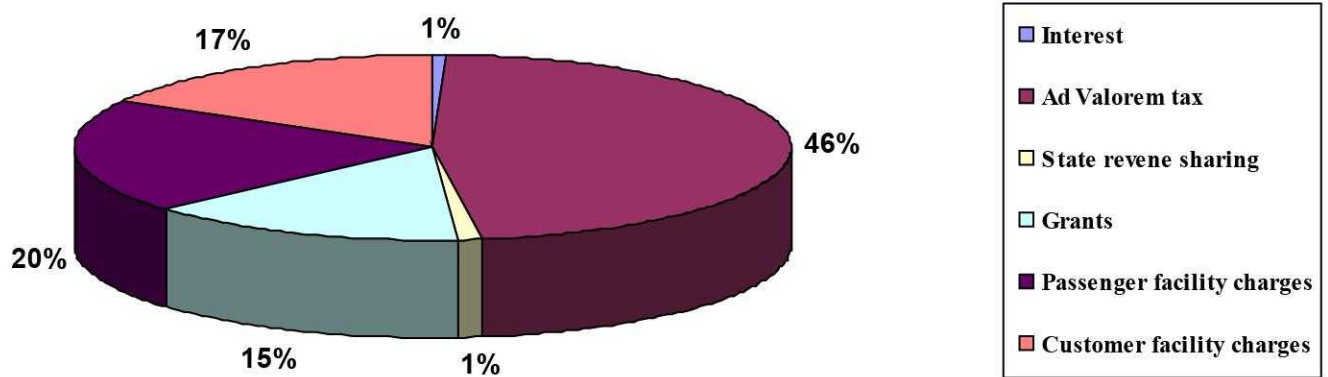
Total expenses (before depreciation) increased by approximately \$120,000 with the majority of the increase coming from salaries, benefits, and insurance.

	2014	2013	2012	2011	2010
Operating revenues	\$ 1,581,686	\$ 1,174,524	\$ 1,001,928	\$ 943,273	\$ 855,892
Operating expenses	<u>3,798,057</u>	<u>3,523,706</u>	<u>3,163,290</u>	<u>3,166,645</u>	<u>3,086,779</u>
Operating (loss)	(2,216,371)	(2,349,182)	2,161,362)	(2,223,372)	(2,230,887)
Non-operating					
Revenues(expenses)	1,041,532	1,193,907	998,179	892,359	1,304,552
Other revenues	<u>3,696,733</u>	<u>3,288,118</u>	<u>3,412,989</u>	<u>2,148,672</u>	<u>2,329,105</u>
Increase in net position	<u>\$ 2,521,894</u>	<u>\$ 2,132,843</u>	<u>\$2,249,806</u>	<u>\$ 817,659</u>	<u>\$1,402,770</u>

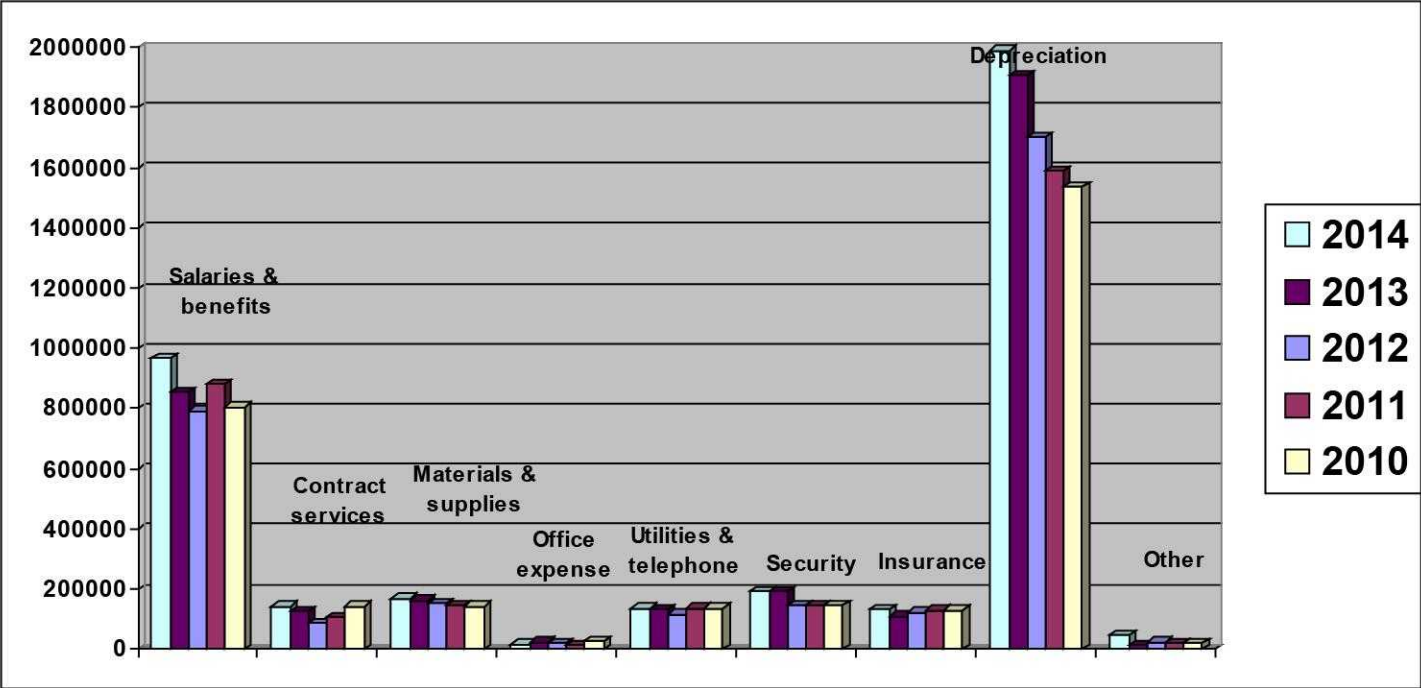
Operating Revenues (2010-2014)



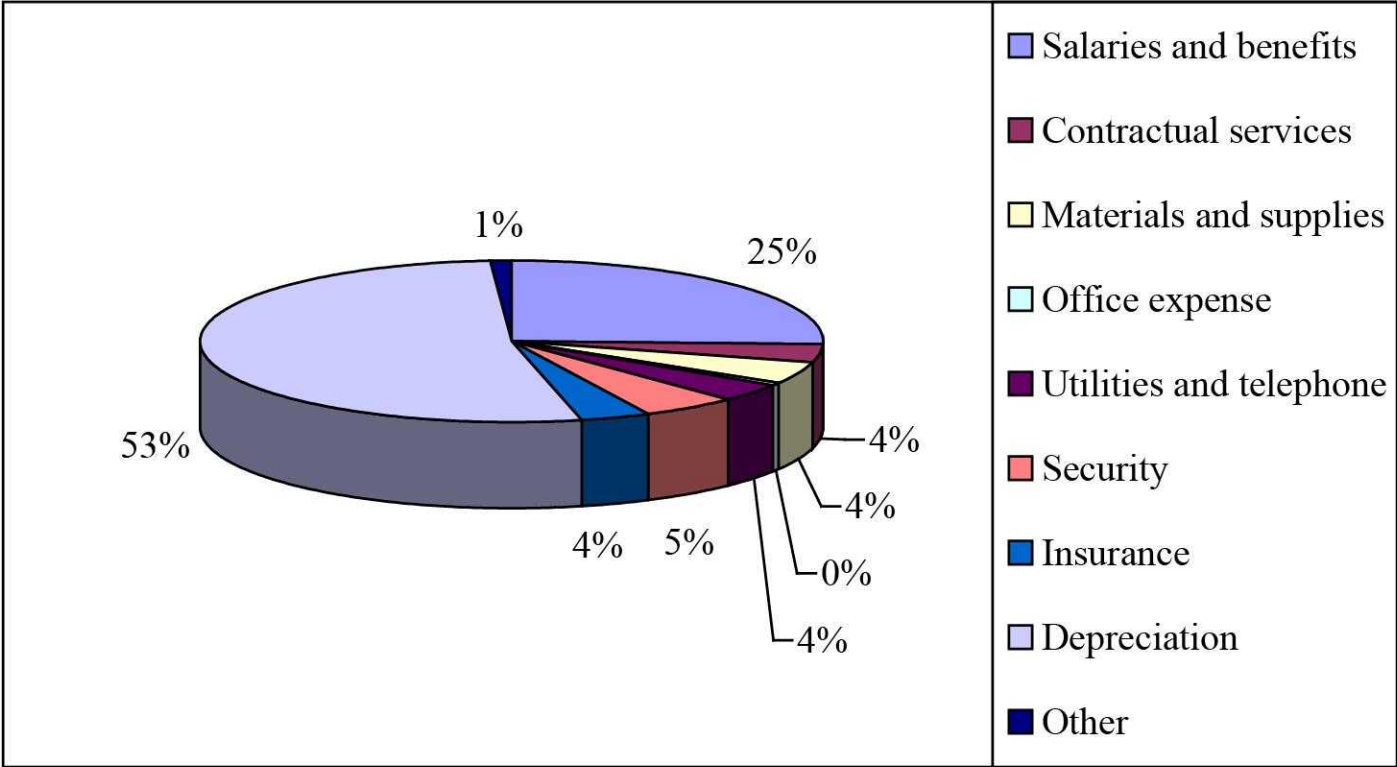
Non-operating Revenues - 2014



Operating expenses – 2010-2014



Operating expenses 2014



Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF NET POSITION

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 778,088.98	\$ 381,560.68
Accounts receivable		
Trade	162,131.28	188,290.78
Advalorem Taxes	646,468.24	615,662.60
State revenue sharing	8,709.75	8,709.75
Federal grants	70,079.88	62,210.40
State grants	615,145.94	304,446.97
Customer facility charges	23,661.00	21,306.00
Passenger facility charges	37,880.96	40,042.32
	<u>1,564,077.05</u>	<u>1,240,668.82</u>
Prepaid expense	11,408.59	-
Prepaid insurance	23,233.58	18,340.38
Total Current Assets	<u>2,376,808.20</u>	<u>1,640,569.88</u>
Noncurrent Assets		
Due from Federal Emergency Management Agency	86,063.40	92,722.93
Restricted Cash	1,193,196.55	1,038,857.71
Capital assets, net of accumulated depreciation	<u>47,644,086.40</u>	<u>45,568,262.10</u>
Total Noncurrent Assets	<u>48,923,346.35</u>	<u>46,699,842.74</u>
TOTAL ASSETS	<u>51,300,154.55</u>	<u>48,340,412.62</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	53,986.85	42,370.52
Line of credit - Calcasieu Parish Police Jury	26,301.84	79,486.18
Construction contract payable	637,860.31	227,255.84
Payroll taxes and benefits	23,207.02	21,369.80
Deduction from advalorem taxes for retirement system	20,807.11	19,870.35
Total Current Liabilities	<u>762,163.13</u>	<u>390,352.69</u>
Noncurrent Liabilities		
Security deposit	4,000.00	4,000.00
OPEB liability	66,038.00	-
Total Noncurrent Liabilities	<u>70,038.00</u>	<u>4,000.00</u>
TOTAL LIABILITIES	<u>832,201.13</u>	<u>394,352.69</u>
<u>NET POSITION</u>		
Net investment in capital assets	47,006,226.09	45,341,006.26
Restricted for marketing and capital equipment	198,668.07	230,347.00
Restricted for PFC projects	304,137.83	343,794.19
Restricted for CFC projects	950,600.68	756,411.84
Unrestricted	2,008,320.75	1,274,500.64
TOTAL NET POSITION	<u>\$ 50,467,953.42</u>	<u>\$ 47,946,059.93</u>

See notes to the financial statements

Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues		
Rental income	\$ 1,212,625.84	\$ 1,031,912.44
Landing fees	80,655.69	81,881.78
Miscellaneous	<u>288,404.22</u>	<u>60,729.62</u>
Total operating revenues	1,581,685.75	1,174,523.84
Operating expenses		
Salaries and benefits	967,681.26	853,844.24
Contractual services	142,132.42	125,534.57
Materials and supplies	170,189.04	162,513.41
Office expense	18,643.33	23,041.81
Utilities and telephone	137,150.49	135,234.32
Security	192,683.04	192,683.04
Insurance	133,062.11	109,588.91
Depreciation	1,989,993.55	1,905,732.42
Other	<u>46,522.14</u>	<u>15,533.41</u>
	<u>3,798,057.38</u>	<u>3,523,706.13</u>
Operating income (loss)	(2,216,371.63)	(2,349,182.29)
Nonoperating revenues (expenses)		
Interest	7,129.64	4,661.96
Ad Valorem tax	663,048.90	630,221.71
State revenue sharing	13,873.49	12,677.79
Grants		
Maintenance reimbursement	100,245.16	96,400.96
Security reimbursement	104,320.88	104,924.55
Local grant	-	180,000.00
Passenger facility charges	280,531.10	274,463.61
Customer facility charges	232,821.00	211,341.00
Engineering and professional fees	(339,630.75)	(300,913.77)
Ad Valorem tax deduction	<u>(20,807.11)</u>	<u>(19,870.35)</u>
Total nonoperating revenues (expenses)	1,041,532.31	1,193,907.46
Other revenues		
Capital grants	<u>3,696,732.81</u>	<u>3,288,118.25</u>
Increase (decrease) in net position	2,521,893.49	2,132,843.42
Net position, beginning of year	<u>47,946,059.93</u>	<u>45,813,216.51</u>
Net position, end of year	<u>\$ 50,467,953.42</u>	<u>\$ 47,946,059.93</u>

See notes to the financial statements

Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF CASH FLOWS

For the Years Ended December 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from charges	\$ 1,607,845.25	\$ 1,122,343.51
Cash received from Ad Valorem taxes	612,372.91	564,966.57
Cash received from grants	215,148.40	377,098.11
Cash payments to suppliers for goods and services	(845,068.03)	(766,797.84)
Cash payments to employees for services	<u>(899,806.04)</u>	<u>(855,206.17)</u>
Net cash provided (used) by operating activities	690,492.49	442,404.18
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(3,655,213.38)	(3,240,170.38)
Funds paid for engineering and professional fees	(339,630.75)	(300,913.77)
(Payments) draw on line of credit	(53,184.34)	(53,404.05)
Cash received from Federal Emergency Management Agency	6,659.53	-
Cash received from capital grants	3,367,582.00	3,174,395.59
Cash received from customer facility charges	230,466.00	207,006.00
Cash received from passenger facility charges	282,692.46	265,324.30
State revenue sharing received	<u>13,873.49</u>	<u>12,677.79</u>
Net cash provided (used) by capital and related financing activities	(146,754.99)	64,915.48
Cash flows from investing activities:		
Interest on investments	<u>7,129.64</u>	<u>4,661.96</u>
Net cash provided by investing activities	<u>7,129.64</u>	<u>4,661.96</u>
Net increase (decrease) in cash and cash equivalents	550,867.14	511,981.62
Cash and cash equivalents, beginning of year	<u>1,420,418.39</u>	<u>908,436.77</u>
Cash and cash equivalents, end of year - (including restricted cash of \$1,193,197 and \$1,038,858 in 2014 and 2013)	<u><u>\$ 1,971,285.53</u></u>	<u><u>\$ 1,420,418.39</u></u>

See notes to the financial statements

Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF CASH FLOWS

For the Years Ended December 2014 and 2013

Reconciliation of operating income to net
cash provided by operating activities:

	<u>2014</u>	<u>2013</u>
Operating income (loss)	\$ (2,216,371.63)	\$ (2,349,182.29)
Depreciation	1,989,993.55	1,905,732.42
Nonoperating Ad Valorem taxes	612,372.91	564,966.57
Cash received from grants	215,148.40	377,098.11
Changes in assets and liabilities:		
(Increase) decrease in trade accounts receivable	26,159.50	(52,180.33)
(Increase) decrease in prepaid expense	(11,408.59)	-
(Increase) decrease in prepaid insurance	(4,893.20)	(5,368.65)
Increase (decrease) in accounts payable	11,616.33	2,700.28
Increase (decrease) in taxes and benefits payable	1,837.22	(1,361.93)
Increase (decrease) in accrued OPEB liability	66,038.00	-
Total adjustments	<u>2,906,864.12</u>	<u>2,791,586.47</u>
Net cash provided (used) by operating activities	<u>\$ 690,492.49</u>	<u>\$ 442,404.18</u>

See notes to the financial statements

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE A. ORGANIZATION

Airport Authority for Airport District #1 of Calcasieu Parish (the Authority) was created by the Calcasieu Parish Police Jury as provided by Revised Statutes 2:602. The Authority is governed by a board of five commissioners who, along with the Airport Manager, establish regulations governing the maintenance and operations of the facilities of the Lake Charles Regional Airport.

The financial statements of the Authority will be included in the Calcasieu Parish Police Jury's financial reporting as a discretely presented component unit. In determining the financial reporting entity, the Authority complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity." As a discretely presented component unit, the Authority is a separate legal entity, but the Police Jury has an oversight relationship with the Authority. The accompanying statements present only the transactions of the Authority and have been prepared in conformity with the Government Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

1. Basis for Accounting

The measurement focus is on the flow of economic resources and the accrual basis of accounting; whereby revenues are recognized when earned and expenses are recorded when incurred.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

2. Budget Policy

A proposed budget is prepared and submitted to the Board of Commissioners prior to the beginning of each year. A budget summary and notice of public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget prepared on the accrual basis of accounting, covers all authority activities. At the end of the fiscal year unexpended appropriations automatically lapse.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Capital Assets and Depreciation

Property and equipment are stated at actual or estimated historical cost, net of accumulated depreciation. The Authority generally capitalizes assets with a cost of \$2,500 or more. Depreciation is computed on a straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Building and improvements	30-40
Land improvements	10-40
Machinery and equipment	3-10
Furniture and fixtures	5-10

4. Operating Revenues and Expenses

The Authority distinguishes between operating and nonoperating revenues and expenses in its Statement of Revenues, Expenses, and Changes in Net Position. For this purpose, all revenues generated by operations at the airport are reported as operating revenues. Operating expenses include all costs of operating the airport. As a result, nonoperating revenues and expenses include all investing and financing transactions, including passenger and customer facilities charges required to be used to finance the capital structure of the Authority. Ad valorem taxes and certain grants dedicated to airport operation are also reported as nonoperating revenues. However, these revenues are reported as a source of operating cash flows in the Statement of Cash Flows based on GASB Statement 9.

5. Rental Income

The Authority leases its property to commercial airlines, car rental companies, concessionaires, fixed base operators who service the airline industry, the FAA, and others. A significant portion of these leases are non-cancelable operating leases. The car rental companies pay rent of 10% of monthly gross revenue with a \$2,000 minimum monthly lease amount.

The cost for leased property is \$3,523,262 and the amount of accumulated depreciation as of December 31, 2014 was \$1,331,525. Contingent rentals received for the year ended December 31, 2014 and 2013 were \$297,947 and \$269,546, respectively.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Minimum rentals on non-cancelable operating leases for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 650,461
2016	573,182
2017	507,846
2018	419,981
2019	313,397
	<u>\$2,464,867</u>

6. Accounts Receivable

Accounts receivable represents amounts due from various Federal and State Agencies and customers and is deemed to be fully collectible by management.

7. Statement of Cash Flows

For purposes of reporting cash flows all highly liquid investments (including restricted assets) with a maturity of three months or less are considered to be cash equivalents.

8. Use of Estimates

The financial statements are prepared in conformity with generally accepted accounting principles and, accordingly, include amounts that are based on management's best estimates and judgments. Actual results could differ from these estimates.

NOTE C. CASH

Under Louisiana Revised Statutes 39:2955, the Authority may deposit funds in demand deposit accounts, interest bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks, organized under Louisiana Law and National Banks having a principal office in Louisiana. Additionally, Louisiana statutes allow the Authority to invest in United States Treasury obligations, obligations issued or guaranteed by the United States government or federal agencies, and mutual or trust funds register with the Securities and Exchange Commission which have underlying investments consisting solely of and limited to the United States government or its agencies.

In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE C. CASH (continued)

At December 31, 2014, the Authority had cash and cash equivalents (book balances) totaling \$1,971,286. Of that balance, \$1,193,197 is included in Restricted Cash.

At December 31, 2013, the Authority had cash and cash equivalents (book balances) totaling \$1,420,419. Of that balance, \$1,038,858 is included in Restricted Cash.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held by the pledging financial institution's trust department or agent, in the Authority's name.

Custodial Credit Risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority deposits its cash with high quality financial institutions, and management believes the Authority is not exposed to significant credit risk.

At December 31, 2014, the Authority has \$2,132,495 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$2,834,521 of pledged securities held in a custodial bank in the Authority's name.

At December 31, 2013, the Authority has \$1,567,422 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$2,104,815 of pledged securities held in a custodial bank in the Authority's name.

Interest Rate Risk is the risk that changes in the interest rate will adversely affect the fair value of the investment. At December 31, 2014 and 2013, the Authority did not have investments in any debt instruments.

NOTE D. PENSION PLAN

Full-time employees of the Authority are members of the Parochial Employees' Retirement System of Louisiana, a multi-employer (cost-sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separated assets and benefit provisions. Eligible employees of the Authority were members of Plan A for 2014. Under Plan A, members hired before 1/1/07 with seven years of creditable service may retire at the age 65; members with 10 years of creditable service may retire at age 60; members with 25 years of service may retire at age 55; members with 30 years of service may retire regardless of age. Members hired after 1/1/07 may retire at age 67 with 7 years of creditable service, age 62 with 10 years of creditable service, and age 55 with 30 years of creditable service. The retirement allowance is equal to three percent of the member's final average compensation multiplied by his years of creditable service.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE D. PENSION PLAN (continued)

Final average compensation shall be defined as the average of the highest consecutive 36 months salary for members hired prior to 1/1/07. For members hired 1/1/07 and later, final average compensation shall be defined as the average of the highest consecutive 60 months salary. However, any employee who was a member of the supplemental plan only prior to the revision date (1/1/80) has the benefit earned for service credited prior to the revision date on the basis of one percent of final compensation plus two dollars per month for each year credited prior to the revision date, and three percent of final compensation for each year of service credited after the revision date.

The retirement allowance may not exceed the greater of one hundred percent of a member's final salary or the final average compensation. Contributions to the System include $\frac{1}{4}$ of 1% of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. State statute requires covered employees to contribute a percentage of their salaries, 9.5% under Plan A, to the System. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by an actuarial valuation for the prior fiscal year. The employer contribution was 16.00% of covered employees' salaries for 2014 and 16.75% of covered employees' salaries for 2013. The payroll for the Authority employees covered by the system for the year ended December 31, 2014 and 2013 was \$561,956 and \$527,874; the Authority's total payroll and accrued benefits for 2014 and 2013 was \$967,681 and \$853,844, respectively. The Authority contributed \$90,152 and \$89,723 to the system during the years 2014 and 2013.

The "Pension Benefit Obligation" (PBO) is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users access the funding status of the plan on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other public employee retirement systems. The measure is called the "actuarial present value of credited projected benefits" and is independent of the funding method used to determine contributions to the plan.

The PBO was computed as part of an actuarial valuation performed as of December 31, 2013; however, the System does not make separate measurements of assets and pension benefit obligations of individual employers. The pension benefit obligation at December 31, 2013, for the System as a whole was approximately \$2.909 billion.

The system's net assets available for benefits on that date (valued at market) were approximately \$3.043 billion.

Ten year historical trend information is presented in a separately issued PERS report which provides information about progress made in accumulating sufficient assets to pay benefits when due.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE E. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In 2014, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). This Statement addresses the fact that certain postemployment benefits other than pensions, which for the Authority consist of healthcare benefits only, are related to employee services and salaries received presently but that will benefit the employee in the future - upon retirement and whose costs will be borne by the Authority in the future. This Statement attempts to quantify the future “retirement” costs that have been earned by the employee during his active years of employment. The Authority will finance the postemployment benefits on a “pay-as-you-go” basis. Accordingly, a liability is recognized in the financial statements for the actuarial determined amount of postemployment benefits that are associated with the normal costs of benefits attributable to service in the current year as well as an amortization of any unfunded actuarial accrued liability for costs of benefits associated with prior years of employment.

The notes to the financial statements contain other required disclosure information such as the estimated costs today of providing the postemployment benefits to all of your current employees once they retire not just the liability referred to above that is actually recognized in the Statement of Net Position. The Parish contracted with a third party consultant to perform the actuarial valuation required by GASB Statement No. 45 as of January 1, 2008, January 1, 2010, January 1, 2012 and January 1, 2014. Since GASB Statement No. 45 requires valuations every other year for plan memberships exceeding 200, the actuarial valuations prepared will be utilized for the two year periods of 2008 and 2009, 2010 and 2011, 2012 and 2013, and 2014 and 2015 with the inclusion of the appropriate second year adjustments.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Plan Description: The Calcasieu Parish OPEB Plan is a single employer defined benefit “substantive” plan as understood by the employer and its employees. As a component unit, the Authority may at their option participate in the employee’s group health, dental and life insurance programs sponsored and administered by the Parish in conjunction with its third party insurance providers and administrative agents.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

In addition to the option to participate in the group health, dental and life plans during employment, at retirement, employees who have twenty (20) years of cumulative service will be eligible for certain retiree benefits if hired after January 1, 2007. Employees hired prior to January 1, 2007 must have ten (10) years of cumulative service to be eligible for any retiree benefits. The Parish currently offers its retirees the option to elect to participate in the health, dental and life plans. While there is no specific written plan or trust for the Parish OPEB plan alone and therefore no separate annual report is issued, the Parish has reported this plan information based on communications to plan members via the written health plan maintained by the Parish. Any amendments to the general health plan as related to types of benefits offered are required to be approved by Parish management before being distributed to Plan members.

Funding Policy: The contribution requirements of the retirees and the participating employers are established in the annual operating budget and may be amended in subsequent years with the approval of Parish management. As stated previously, the required contribution is based on projected “pay-as-you-go” financing requirements. The employer contribution to the OPEB plan allocated to the Authority for 2014 was \$5,257. There is no retiree contribution to the OPEB plan other than the retiree share of insurance premiums paid monthly which for 2014 consisted of \$440 per month if under age 65, \$340 per month if subject to Medicare Supplement Part A, or \$238 per month if subject to Medicare Supplements Parts A & B.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, the actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The projected unit credit actuarial cost method was used for the January 1, 2014 actuarial valuations. Because the government currently finances OPEB using a “pay-as-you-go” approach, the discount rate is based on the historical and future investment yields that are expected to be used in financing the payment of benefits. The actuarial assumptions for all four valuations included a 4% investment rate of return, compounded annually. Life expectancies for the 2014 actuarial valuation report were based on the RP 2000 Male and Female Tables which is consistent with the 2008, 2010, and 2012 valuation reports. Turnover rates for both valuation reports were based on the Parish’s historical data and modified based on years of employment.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

For the January 1, 2014 actuarial valuation, claim costs were developed for pre-65 and post-65 retirees' costs. Costs were developed based on the current fully insured equivalency rates with costs adjusted for aging since the underlying premium rates are not community rated. This basis was used for the calculation of the present value of total benefits to be paid for retiree coverage. The 2014 actuarial valuation assumed a healthcare cost inflation rate of 10% decreasing to an ultimate rate of 5% in 2019 and beyond. A 1% inflation factor was utilized each year. The 2014 actuarial valuation also assumes that (1) the member's current marital status and whether spousal coverage is elected will remain unchanged at retirement, (2) female spouses are assumed to be three years younger than male employees and male spouses are assumed to be three years older than female employees, (3) employees electing single coverage as active employees are assumed to continue with single coverage at retirement and employees electing family coverage as active employees are assumed to continue family coverage as retirees and (4) 100% of employees will elect Medicare coverage when they are first eligible. The amortization method for the plan is level dollar with a thirty year open amortization period. The remaining amortization period at January 1, 2014 was twenty-three years.

Annual OPEB Cost and Net OPEB Obligation: The Parish's annual OPEB cost (expense) was calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over the actuarial amortization period. Trend information has been disclosed below for 2012, 2013, and 2014. The ARC was calculated as part of the January 1, 2012 and January 1, 2014 actuarial valuations performed by outside actuary consultants. The 2013 ARC was obtained from the 2012 valuation report and adjusted for another year's activity as required by GASB Statement No. 45.

The following shows the components of the Authority's annual allocation of OPEB costs for the current year:

Annual Required Contribution (ARC)	\$21,237
Interest on Net OPEB Obligation	1,629
Adjustment to ARC	7,700
Annual OPEB Cost (Expense)	30,566
Less: Contributions	(5,257)
Increase in Net OPEB Obligation	25,309
Net OPEB Obligation at Beginning of year	40,729
Net OPEB Obligation at End of year*	66,038

*The Authority implemented GASB 45 in the current year and has recorded as an expense in the current year the cumulative effect of the OPEB costs.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Trend Information for OPEB Plan:

Fiscal Year Ended	OPEB Plan Total
<u>December 31, 2012:</u>	
Annual OPEB Cost	\$17,679
% of Annual OPEB Cost Contributed	9%
Net OPEB Obligation	\$39,364
<u>December 31, 2013:</u>	
Annual OPEB Cost	\$8,349
% of Annual OPEB Cost Contributed	84%
Net OPEB Obligation	\$40,729
<u>December 31, 2014:</u>	
Annual OPEB Cost	\$30,566
% of Annual OPEB Cost Contributed	17%
Net OPEB Obligation	\$66,038

Funding Status and Funding Process: The following is a Schedule of Funding Progress for the OPEB Plan based on the first three actuarial valuations:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll**	((b-a)/c) UALL as a Percentage of Covered Payroll
01/01/10	\$0	\$17,227,969	\$17,227,969	0.00%	\$30,359,316	57%
01/01/12	\$0	\$15,571,023	\$15,571,023	0.00%	\$31,178,169	50%
01/01/14	\$0	\$24,571,497	\$24,571,497	0.00%	\$37,965,534	65%

** This payroll amount includes not only the Parish payroll but payroll for all of the discretely presented components units that participate in the Parish OPEB Plan.

NOTE F. ANNUAL AND SICK LEAVE

Permanent employees earn one to six weeks of annual leave and two to six weeks of sick leave each year depending on length of service with the Authority. A maximum of ten days of annual leave may be accumulated and carried forward without limitation. Upon termination, employees are paid for unused annual leave only.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE G. AD VALOREM TAXES

For the year ended December 31, 2014 taxes of .58 mills were levied on property with taxable assessed valuations of \$1,147,437,571 and were dedicated to the operation and maintenance of the Airport.

Property tax millage rates are adopted on a 10 year basis. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31. Property taxes not paid by the end of February are subject to lien. A renewal election was held and passed in April 2014 to levy a .63 millage beginning in 2015 and expiring in 2024.

NOTE H. RESTRICTED ASSETS

Assets required to be held and/or used as specified in contractual agreements have been reported as Restricted Assets. Restricted Assets at December 31, 2014, consisted of the following:

	<u>Total</u>
Marketing and Capital Equipment	\$ 198,668
Passenger Facility Charge Funds	304,138
Customer Facility Charge Funds	<u>950,601</u>
Total Restricted Assets	<u>\$1,453,407</u>

NOTE I. PASSENGER FACILITY CHARGE

Beginning in 2001, Passenger Facility Charges at the rate of \$3 per enplaned passenger had been levied by the Authority under Federal Aviation Administration (FAA) approved applications to use for airport improvements. Beginning in 2005, the passenger rate was approved to be increased to 4.50 per enplaned passenger. As of December 31, 2014 the total of approved applications is \$2,962,724. Since 2001 a total of \$2,471,555 has been spent in PFC funds for airport improvements.

Total PFC revenues, including interest, remitted to the Authority for the years ended December 31, 2014 and 2013 were \$281,185 and \$275,275 respectively. During the year ended December 31, 2014 a total of \$319,789 was spent on improvements, leaving a balance of \$304,138 of PFC funds available and restricted for future PFC projects (Note H).

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE J. CUSTOMER FACILITY CHARGE

Beginning in August 2009, in accordance with each rental car concession agreement, a Customer Facility Charge (CFC) of \$3 per day shall be levied on each rental car contract entered into at the Airport by lessee. Lessee agrees to collect said CFC and remit the collection to the Airport Authority separate and apart from other rents and fees once per month. CFC revenue will be used by the Airport to accomplish improvements that benefit the rental car customers and concessionaries. CFC revenue for the years ending December 31, 2014 and 2013 were \$232,821 and \$211,341, respectively. During the year ended December 31, 2014, \$36,805 was spent on improvements leaving a balance of \$950,601 for future CFC projects (Note H).

NOTE K. CAPITAL ASSETS

Capital assets consist of the following:

	Balance <u>12/31/13</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/14</u>
Land	\$ 2,410,409	\$ -	\$ -	\$ 2,410,409
Buildings & Improvements	41,905,108	275,316	-	42,180,424
Land Improvements	17,848,921	3,339,357	-	21,188,278
Machinery & Equipment	2,732,919	29,948	-	2,762,867
Furniture & Fixtures	697,280	-	-	697,280
Software	94,400	-	-	94,400
Construction in progress	<u>500,162</u>	<u>4,018,595</u>	<u>(3,597,398)</u>	<u>921,359</u>
	66,189,199	7,663,216	(3,597,398)	70,255,017
Less accumulated depreciation:				
Buildings & Improvements	6,215,190	925,303	-	7,140,493
Land Improvements	12,674,791	795,885	-	13,470,676
Machinery & Equipment	1,425,980	183,938	-	1,609,918
Furniture & Fixtures	286,621	53,400	-	340,021
Software	<u>18,355</u>	<u>31,468</u>	-	<u>49,823</u>
	<u>20,620,937</u>	<u>1,989,994</u>	-	<u>22,610,931</u>
Net capital assets	<u>\$45,568,262</u>	<u>\$5,673,222</u>	<u>\$(3,597,398)</u>	<u>\$47,644,086</u>

NOTE L. COMMITMENTS AND CONTIGENCIES

The Airport participates in a number of federal financial assistance programs. Although the grant programs have been audited through December 31, 2014 in accordance with the Single Audit Act of 1996, these programs are still subject to financial and compliance audits by governmental agencies.

The Authority is subject to pending claims and litigation which arise primarily in the ordinary course of business. The Authority does not anticipate any losses with respect to such pending claims and litigation as of December 31, 2014.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

NOTE L. COMMITMENTS AND CONTIGENCIES (continued)

On a continuing basis, the Authority enters into construction contracts for improvements to the airport. At December 31, 2014, work was in progress for the improvements as follows:

	<u>Budget</u>	<u>Expended to date</u>	<u>Committed</u>
North Apron Expansion	1,177,645	479,328	698,317

The funding for this project is provided primarily by a Louisiana Department of Transportation and Development Grant.

NOTE M. LINE OF CREDIT

In 2008, the Police Jury of Calcasieu Parish approved a line of credit up to \$400,000 to the Authority to be used, as needed, for interim financing of state mandated capital costs required to fire proof the FBO. Interest, at the current short-term governmental rate, will accrue on balances over 60 days. As of December 31, 2014 and 2013 the balance owed to the Police Jury was \$26,302 and 79,486, respectively.

NOTE N. DUE FROM FEDERAL EMERGENCY MANAGEMENT AGENCY

The Authority is in ongoing negotiations with the Federal Emergency Management Agency (FEMA) to close out the remaining project worksheets for Hurricane Rita. Although final payment has not yet been received, management expects to collect the full amount. The accounts receivable has been reclassified to a noncurrent asset due to the period of time outstanding.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year ended December 31, 2014

Federal Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	Federal <u>Expenditures</u>
US Department of Transportation Federal Aviation Administration Airport Improvement Program	20.106	\$ 2,027,190
US Department of Homeland Security Transportation Security Administration Law Enforcement Personnel Reimbursement Agreement	97.090	<u>104,321</u>
Total expenditures of federal awards		<u>\$ 2,131,511</u>

NOTE A. BASIS OF PRESENTATION

The accompanying schedule of federal financial assistance includes the federal grant activity of the Airport Authority for Airport District #1 of Calcasieu Parish and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICE

For the Year ended December 31, 2014

AGENCY HEAD NAME: HEATH ALLEN, EXECUTIVE DIRECTOR

<u>PURPOSE</u>	<u>AMOUNT</u>
Salary	\$106,711
Benefits	
Insurance	9,840
Retirement	18,706
Fitness	278
Car Allowance	9,600
Phone Allowance	600
Per Diem	1,018
Conference Travel	<u>3,087</u>
 TOTAL	 <u><u>\$149,840</u></u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Airport Authority for Airport District #1
of Calcasieu Parish
Lake Charles, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Airport Authority for Airport District #1 of Calcasieu Parish, a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued my report thereon dated June 18, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, I considered the Airport Authority for Airport District #1 of Calcasieu Parish's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority for Airport District #1 of Calcasieu Parish's internal control. Accordingly, I do not express an opinion on the effectiveness of the Airport Authority for Airport District #1 of Calcasieu Parish's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit we did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport Authority for Airport District #1 of Calcasieu Parish's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
June 18, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Commissioners
Airport Authority for Airport District #1
of Calcasieu Parish
Lake Charles, Louisiana

Report on Compliance for Each Major Federal Program

I have audited the Airport Authority for Airport District #1 of Calcasieu Parish's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2014. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In my opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year December 31, 2014.

Report on Internal Control over Compliance

Management of the Airport Authority for Airport District #1 of Calcasieu Parish, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
June 18, 2015

**Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section I – Summary of Auditor's Results
December 31, 2014**

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified not considered to
be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements
noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified not considered to
be material weaknesses? ☐ Yes ☒ No

Type of auditor's report issued on compliance
for major programs:

Unqualified

Any audit findings disclosed that are required
to be reported in accordance with Circular
A-133, Section 510 (a)? ☐ Yes ☒ No

Identification of major programs:

CFDA Number Name of Federal Program or Cluster

20.106 US Department of Transportation
 Airport Improvement Program

Dollar threshold used to distinguish between

Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

No Separate Management Letter Issued

**Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section II – Financial Statement Findings**

Current Audit

None

Prior Audit

2013-1

Monitoring Accounts Receivable

Condition: The Authority's internal control over accounts receivable failed to identify past due rent payments.

Response: The Executive Director is not reviewing the aged accounts receivable report on a monthly basis. The Authority is now executing its collection efforts on a monthly basis.

2013-2

Cash Management

Condition: Grant reimbursement requests were prepared from unpaid invoices. Grant reimbursements were received but the request detail was not used to pay corresponding invoices in a timely manner.

Response: The Authority is using unpaid invoice folders for each reimbursement request. Upon receipt of payment, the invoices are paid and reconciled to the reimbursement request.

SECTION III – Federal Awards Findings and Questioned Costs

Current Audit

US Department of Transportation
Airport Improvement Program – CFDA Number 20.106

There were no findings or questioned costs.

Prior Audit

US Department of Transportation
Airport Improvement Program – CFDA Number 20.106

There were no findings or questioned costs.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

Board of Commissioners
Airport Authority for Airport District # I
of Calcasieu Parish
Lake Charles, Louisiana

Report on Compliance for the Passenger Facility Charge Program

I have audited the compliance of Airport Authority for Airport District # 1 of Calcasieu Parish with the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration (the Guide), for its passenger facility charge program for the year ended December 31, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of laws and regulations applicable to its passenger facility charge program.

Auditors' Responsibility

My responsibility is to express an opinion on compliance of the Authority's passenger facility programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for the passenger facility charge program. However, my audit does not provide a legal determination of the Authority's compliance with those requirements.

Opinion

In my opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended December 31, 2014.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing my audit, I considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the passenger facility charge program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the passenger facility program and to test and report on the internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Guide. This report is an integral part of an audit performed in accordance with the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration, and in considering the entity's internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
June 18, 2015

Schedule of Expenditures of Passenger Facility Charges

Airport Authority for Airport District #1 of Calcasieu Parish

For the year ended December 31, 2014

	<u>FY-13</u> <u>Program Total</u>	<u>Quarter 1</u> <u>Jan. - Mar.</u>	<u>Quarter 2</u> <u>Apr. - Jun.</u>	<u>Quarter 3</u> <u>Jul. - Sept.</u>	<u>Quarter 4</u> <u>Oct. - Dec.</u>	<u>FY-14</u> <u>Total</u>	<u>FY-14</u> <u>Program Total</u>
<u>Revenue</u>							
Collections	\$ 2,422,401	\$ 64,920	\$ 71,351	\$ 67,879	\$ 78,542	\$ 282,692	\$ 2,705,093
Interest	33,115	170	144	161	179	654	33,769
Total Revenue	2,455,516	65,090	71,495	68,040	78,721	283,346	2,738,862
Application 00-01-C-00-LCH							
Proj 1 Terminal improv.	574,220	154,672	62,128	4,249	-	221,049	795,269
Proj 2 Renovate ARFF	132,685	-	-	-	-	-	132,685
Proj 3 Security fence-GA area	-	-	-	-	-	-	-
Proj 4 Expand terminal parking	585,208	-	-	17,275	-	17,275	602,483
Proj 5 1997 terminal improvement	194,549	-	-	-	-	-	194,549
Proj 6 Prof. Fees PFC app	132,209	5,626	1,837	10,150	-	17,613	149,822
Total Application	1,618,871	160,298	63,965	31,674	-	255,937	1,874,808
Application 00-02-C-00-LCH							
Proj 1 Airport Access Road Improvements	53,163	-	-	-	-	-	53,163
Proj 2 Acquire fingerprint equipment	19,276	-	-	-	-	-	19,276
Total Application	72,439	-	-	-	-	-	72,439
Application 00-03-C-00-LCH							
Proj 1 Acquisition of Airport Training System	94,907	-	-	-	-	-	94,907
Proj 2 Loading Bridge Baggage Delivery Systems	56,050	-	-	-	-	-	56,050
Proj 3 Airport Access Road Lighting Improvements	165,489	-	-	-	-	-	165,489
Proj 4 Airfield Fencing Improvements	144,010	-	-	9,950	45,550	55,500	199,510
Proj 5 Professional Fees	-	-	-	-	8,352	8,352	8,352
Total Application	460,456	-	-	9,950	53,902	63,852	524,308
Total Disbursements	2,151,766	160,298	63,965	41,624	53,902	319,789	2,471,555
Net PFC Revenue (rev. - disb.)	303,750	(95,208)	7,530	26,416	24,819	(36,443)	267,307
PFC Account Balance	\$ 303,750	\$ 208,542	\$ 216,072	\$ 242,488	\$ 267,307	\$ 267,307	\$ 267,307

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

Notes to the Schedule of Expenditures of Passenger Facility Charges

December 31, 2014

Note A

The accompanying Schedule of Expenditures of Passenger Facility Charges was prepared on the cash basis of accounting. Below is a reconciliation of revenues reported on the accompanying schedule and revenues reported on the FAA Form 5100-127 which was prepared on the accrual basis.

PFC revenues reported on the Schedule of Expenditures of Passenger Facility Charges	\$ 282,692
Amount received in 2014 for 2013 enplanements	(40,042)
Amount received in 2015 for 2014 enplanements	<u>37,881</u>
PFC Revenues reported on FAA Form 5100-127	<u>\$ 280,531</u>

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditors' Results

December 31, 2014

1. Type of report issued on PFC financial statements.	<u> X </u> Unqualified	<u> </u> Qualified
2. Type of report on PFC compliance.	<u> X </u> Unqualified	<u> </u> Qualified
3. Quarterly Revenue and Disbursements reconcile with submitted quarterly reports.	<u> X </u> Yes	<u> </u> No
4. PFC Revenue and Interest is accurately reported on FAA Form 5100-127.	<u> X </u> Yes	<u> </u> No
5. The Public Agency maintains a separate financial accounting record for each application.	<u> X </u> Yes	<u> </u> No
6. Funds disbursed were for PFC eligible items as identified in the FAA Decision to pay only for the allowable costs of the projects.	<u> X </u> Yes	<u> </u> No
7. Monthly carrier receipts were reconciled with quarterly carrier reports.	<u> X </u> Yes	<u> </u> No
8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds.	<u> X </u> Yes	<u> </u> No
9. Serving carriers were notified of PFC program actions/changes approved by the FAA.	<u> X </u> Yes	<u> </u> No
10. Quarterly Reports were transmitted (or available via website) to remitting carriers.	<u> X </u> Yes	<u> </u> No
11. The Public Agency is in compliance with Assurances 5, 6, 7 and 8.	<u> X </u> Yes	<u> </u> No
12. Project administration is carried out in accordance with Assurance 10.	<u> X </u> Yes	<u> </u> No
13. For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence.	<u> </u> Yes <u> X </u> N/A	<u> </u> No

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section II - Internal Control over Compliance

Current Audit

There were no findings or questioned costs.

Prior Audit

There were no findings or questioned costs.